

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GALLATIN COUNTY	)	
WATER DISTRICT, GALLATIN COUNTY,	)	
KENTUCKY, FOR (1) A CERTIFICATE OF	)	
PUBLIC CONVENIENCE AND NECESSITY	)	
AUTHORIZING THE DISTRICT TO CONSTRUCT	)	
A NEW WATER DISTRIBUTION SYSTEM; (2)	)	CASE NO. 10194
APPROVAL OF THE PROPOSED PLAN OF	)	
FINANCING SAID PROJECT; AND (3)	)	
APPROVAL OF THE PROPOSED WATER SERVICE	)	
RATES AND CHARGES OF THE DISTRICT	)	

O R D E R

On February 25, 1988, Gallatin County Water District ("Gallatin") filed an application for a certificate of public convenience and necessity to construct a \$1,185,000 waterworks improvement project, for approval of its plan of financing for this project, and for the establishment of initial water service rates. The Commission is considering Gallatin's application as though it was made pursuant to KRS 278.023 which requires the Commission to approve the application within 30 days of satisfactory completion of the minimum filing requirements.

This project will provide service initially to 255 customers. Project funding includes a \$398,000 loan from the Farmers Home Administration ("FmHA"), a \$736,000 grant from the FmHA, and \$51,000 from applicants for service in the proposed project area. The loan will be for a 40-year period at an interest rate of 5 percent per annum.

Gallatin has filed information which indicates that reliable and adequate service can be maintained throughout the system after completion of the proposed construction. The Commission reminds Gallatin of its obligation to provide adequate and reliable service to all of its customers. The adequacy of the water distribution system after construction should be monitored. If the level of service is inadequate or declining, or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 6(1), Gallatin must take necessary actions to maintain the level of service in conformance with the regulations of the Commission.

#### COMMENTARY

Gallatin, a non-profit water utility, which after completion of construction will provide water service initially to approximately 255 customers near the City of Warsaw, will be located in central Gallatin County.

KRS 74.361 states in part:

The general assembly of the Commonwealth of Kentucky determines as a legislative finding of fact that reduction of the number of operating water districts in the Commonwealth will be in the public interest, in that mergers of such districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management and ultimately result in greater economies, less cost, and a higher degree of service to the general public; and that the public policy favors the merger of water districts wherever feasible.

In view of the legislative mandate, the Commission is of the opinion that Gallatin should seriously consider merging with any of the other utilities providing water service in Gallatin County.

On review of the record and being advised, the Commission finds:

1. Pursuant to KRS 278.023, the Commission has no discretionary authority to modify or reject any portion of this application. The application must be approved if the minimum filing requirements have been satisfactorily completed.

2. The minimum filing requirements have been met in this case. Gallatin has filed information that indicates that the project has been designed to meet the construction and operating standards set out in the Commission's regulations.

3. Gallatin should monitor the adequacy of the water distribution system after construction. If the level of service is inadequate or declining, or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 6(1), Gallatin should take immediate action to bring the system into compliance with the Commission's regulations.

4. Gallatin should be granted a certificate of public convenience and necessity for the proposed construction project. The proposed construction financing plan with FMHA and the establishment of initial water service rates should also be approved.

5. Gallatin should require the engineer to furnish within 60 days of the date of substantial completion of this construction a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

6. Gallatin should investigate the feasibility of merging with any of the other water utilities providing service in Gallatin County. Gallatin should file a written report on the results of its investigation with the Commission within 90 days of the date of this Order.

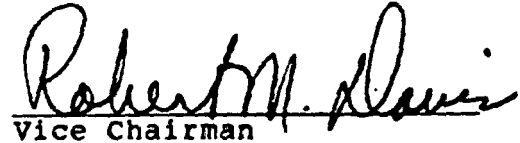
BE IT SO ORDERED.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 6th day of September, 1988.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director